

Message Text

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TO AMEMBASSY KINSHASA
INFO AMEMBASSY PARIS
AMEMBASSY BONN
AMEMBASSY LONDON
AMEMBASSY BRUSSELS

C O N F I D E N T I A L STATE 301761

E.O. 11652: N/A

TAGS: EFIN, CG, ETEL, FR

SUBJECT: DOMSAT AND ZAIRIAN ECONOMIC PERFORMANCE
REFS: (A) KINSAHSA 10117 (B) KINSHASA 9878

1. DEPT AND OTHER AGENCIES HAVE REVIEWED STATUS OF DOMSAT
ISSUE AS REPORTED REFTEL. THE ASSUMPTION OF A SPECIFIC
NEW FINANCIAL OBLIGATION BY THE GOZ, IS DISTURBING ENOUGH
IN ITSELF. MORE IMPORTANT, HOWEVER, IS THE IMPLICATION
FOR GOZ FUTURE ECONOMIC POLICY IF THIS PARTICULAR CONTRACT
PROTENDS A "BUSINESS AS USUAL" APPROACH AS THE EMBASSY
POINTED OUT INREF (B). WE AGREE, IN SUM, WITH THE EMBASSY
(AGAIN REF B), THAT "WE, IN CLOSE COOPERATION WITH ZAIRE'S
WESTERN FRIENDS AND INTERNATIONAL AGENCIES, MUST PURSUE
A SENSITIVE AND MULTI-FACETED POLICY, PROVIDING THE
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CARROT AND STICK INCENTIVES NEEDED TO KEEP THE GOZ TOEING

THE LINE IN ECONOMIC RECOVERY."

2. THAT SAID, WE MUST NOW DECIDE HOW TO DEAL WITH THE DOMSAT ISSUE AND ITS IMPLICATIONS. RUSSO OF THE IMF HAS TOLD US THAT DOMSAT WILL BE RAISED DIRECTLY WITH THE GOZ WITHIN THE CONTEXT OF FOLLOWING STRICT MANAGEMENT POLICIES. HOWEVER, HE ALSO EMPHASIZED THAT THE IMF IS NOT IN A POSITION STAND-BY AGREEMENT. NEVERTHELESS THE IMF TEAM CAN BE

EXPECTED TO MAKE A STRONG PITCH FOR AVOIDING PRESTIGE PROJECTS. WE BELIEVE IT WOULD BE PRUDENT OF THE USG, AS PART OF THE CARROT AND STICK APPROACH, TO SUPPORT THE IMF IN EXPRESSING CONCERN. SECONDLY, THE ABSENCE OF A STRONG USG RESPONSE COULD LEAD THE GOZ TO UNDERESTIMATE THE STRENGTH OF USG FEELING ON THE ISSUE OF A SERIOUS GOZ COMMITMENT TO TIGHT ECONOMIC MANAGEMENT POLICY.

3. USG, THEREFORE, WISHES TO MAKE ITS VIEWS ON THIS SUBJECT KNOWN TO THE GOZ AND TO OTHER PARIS CLUB MEMBERS. SEPTTEL CONTAINING OUR VIEWS WILL BE SENT TO PARIS, BONN, LONDON, BRUSSELS. YOU ARE REQUESTED TO RAISE ISSUE NOW WITH PRESIDENT MOBUTU. HOWEVER, GIVEN IMMINENCE OF RUSSO-MOBUTU MEETING, WE LEAVE IT TO YOUR DISCRETION WHETHER YOUR APPROACH SHOULD PRECEED OR FOLLOW RUSSO MEETING.

4. YOU SHOULD MAKE FOLLOWING POINTS:

A. PROGRAM BY ZAIRE'S FRIENDS TO ASSIST WITH FINANCIAL AND ECONOMIC PROBLEMS NOW APPROACHING CRITICAL STAGE: NEW IMF STAND-BY UNDER NEGOTIATION, PRIVATE BANK AGREEMENT BEING PREPARED FOR IMPLEMENTATION, IBRD CONSULTATIVE GROUP MEETING IN OFFING AND NEW USG ADMINISTRATION WILL BE REVIEWING USG-GOZ RELATIONS.

B. USG HAS BEEN EXTREMELY FORTHCOMING IN ITS EFFORTS TO ASSIST ZAIRE AND HOPES TO CONTINUE FRUITFUL RELATIONSHIP. (YOU MAY WISH TO SUMMARIZE SCOPE OF US AID IN FY 76 AND 77 FROM ALL SOURCES, PLUS SHARE OF MULTILATERAL ASSISTANCE.)

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C. GOZ HAS MADE MUCH PROGRESS TO DATE, AND EVEN MORE IMPORTANT, HAS MADE SOME HARD DECISIONS WHICH ARE COMMENDABLE AND AUGURS WELL FOR FUTURE. ZAIRE'S FRIENDS CAN PROVIDE VALUABLE ASSISTANCE TO COMPLEMENT ZAIRE'S OWN EFFORTS BUT THE EFFECTIVENESS OF THIS ASSISTANCE WILL BE DIMINISHED GREATLY UNLESS ZAIRE ITSELF STRICTLY ABIDES BY ITS COMMITMENTS TO IMPROVE PERFORMANCE. IN THE LAST ANALYSIS, THE ABILITY OF ZAIRE'S FRIENDS TO GENERATE ASSISTANCE FROM

BOTH PRIVATE AND PUBLIC SOURCES DEPENDS ON CONFIDENCE IN ZAIRE'S ECONOMIC PERFORMANCE AND INTENTIONS.

D. IT IS IN THIS CONTEXT THAT WE WERE DISTURBED BY THE ANNOUNCEMENT THAT THE GOZ HAS INDEBTED ITSELF FURTHER FOR WHAT APPEARS TO BE A NON-PRIORITY PROJECT IN THE COMMUNICATIONS SECTOR. WE WISH TO NOTE THAT IN TRYING TO ASSIST ZAIRE, WE HAVE GONE SO FAR AS TO DISCOURAGE AN AMERICAN COMPANY (ITT) FROM PRESSING ITS OWN LESS EXPENSIVE PROPOSAL FOR A DOMESTIC SATELLITE SYSTEM ON THE GROUNDS OF A

LACK OF DEVELOPMENT PRIORITY FOR THIS PROJECT. AS MENTIONED EARLIER, MULTILATERAL EFFORTS--BOTH PRIVATE AND PUBLIC--BEING MADE TO ASSIST ZAIRE IN MOBILIZING ADDITIONAL RESOURCES AND IN REORGANIZING ITS EXTERNAL FINANCIAL OBLIGATIONS ARE DEPENDENT UPON CONFIDENCE IN ZAIRE'S ABILITY TO MANAGE EFFICIENTLY ITS ECONOMY. ASSUMPTION OF THIS NEW FINANCIAL OBLIGATION IN THE EXACT PERIOD THAT PRESENT DEBTS ARE BEING RESCHEDULED COULD RAISE SERIOUS DOUBTS ABOUT ZAIRE'S COMMITMENT TO ECONOMIC REFORM AND WILL BE VERY DIFFICULT TO EXPLAIN WITHIN BOTH THE EXECUTIVE AND LEGISLATIVE BRANCHES OF THE USG.

E. FINALLY, THE USG IS AWAITING THE RESULTS OF THE GOZ-IMF DISCUSSIONS, WHICH WILL PRECEDE CONSULTATIVE GROUP MEETINGS, AND ARE CRUCIAL TO THE SUCCESSFUL IMPLEMENTATION OF THE LONDON PRIVATE BANK AGREEMENT. THE USG INTENDS TO SUPPORT THE EFFORTS OF THE IMF AND IBRD TO WORK WITH AND ASSIST ZAIRE IN RESTORING ITS ECONOMIC VIABILITY AND LOOKS FORWARD TO COORDINATING OUR OWN BILATERAL EFFORTS WITH THE GOZ. ALL OUR PROGRAMS WILL, OF COURSE, BE REVIEWED BY THE NEW ADMINISTRATION AND NEW CONGRESS AND ZAIRE'S OWN DETERMINATION TO DEAL RESOLUTELY WITH ITS OWN PROBLEMS WILL AS

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ALWAYS BE THE BEST ARGUMENT IN SUPPORT OF USG EFFORTS.

5. IN RELAYING USG CONCERN TO MOBUTU, YOU SHOULD NOTE THAT USG IS ALSO MAKING OUR VIEWS KNOWN TO THE CHAIRMAN OF THE PARIS CLUB. ROBINSON

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